GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:688
ANSWERED ON:02.03.2007
PARTICIPATORY NOTE SYSTEM
Bhakta Shri Manoranjan

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has taken note of foreign funds being pumped into Indian bourses to destabilise India`s economic system;

(b) whether intelligence agencies have observed that the Participatory Note System is being used by foreign investors whose bonafides are not normally known;

(c) if so, whether the Tarapore Committee and Ashok Lahiri Committee had cautioned against operation of Participatory Note System; and

(d) if so, the initiatives taken by Securities and Exchange Board of India (SEBI) in this direction?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (c): Foreign Institutional Investors (FIIs) have been allowed to participate in the Indian stock market. Government, the Reserve Bank of India and the Securities and Exchange Board of India (SEBI) have framed policy for such participation and put adequate safeguards in place to ward off any destabilizing effects on the economy and securities market. The policy is reviewed continuously taking into account inputs/concerns received from various sources including intelligence agencies and various committees.

(d) The SEBI Act, 1992 empowers SEBI to register and regulate FIIs. Under the Act, SEBI has framed the SEBI (FII) Regulations, 1995. In terms of these Regulations, FIIs have to fully disclose information concerning the terms of and parties to off-shore derivative instruments such as PNs , entered into by FIIs or their sub-accounts or affiliates relating to any securities listed or proposed to be listed in any stock exchange in India, as and when and in such form as the Board may require. A format has been prescribed for submission of such details on a monthly basis.